



Kent W. Blake
Director
Regulatory Initiatives

LG&E Energy LLC
220 West Main Street
Louisville, Kentucky 40202
502-627-2573
502-217-2442 FAX
kent.blake@lgeenergy.com

May 17, 2004

VIA HAND DELIVERY

Ms. Elizabeth O'Donnell, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

Dry Box
RECEIVED

MAY 17 2004

PUBLIC SERVICE
COMMISSION

**RE: AN ADJUSTMENT OF THE GAS AND ELECTRIC RATES, TERMS, AND
CONDITIONS OF LOUISVILLE GAS AND ELECTRIC COMPANY
– CASE NO. 2003-00433** ✓

and

**AN ADJUSTMENT OF THE ELECTRIC RATES, TERMS, AND
CONDITIONS OF KENTUCKY UTILITIES COMPANY
– CASE NO. 2003-00434**

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and ten (10) copies of Louisville Gas and Electric Company and Kentucky Utilities Company's responses to Information Requested during Hearing held May 4 – 6, 2004, in the above-referenced matter.

Please confirm receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copy.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Kent W. Blake
Director, Regulatory Initiatives

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 17 2004

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE GAS AND ELECTRIC)
RATES, TERMS AND CONDITIONS OF)
LOUISVILLE GAS AND ELECTRIC COMPANY)

CASE NO.
2003-00433

and

AN ADJUSTMENT OF THE ELECTRIC RATES,)
TERMS AND CONDITIONS OF)
KENTUCKY UTILITIES COMPANY)

CASE NO.
2003-00434

POST-HEARING DATA RESPONSES OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE COMMISSION STAFF AND
THE ATTORNEY GENERAL'S
REQUEST FOR INFORMATION DURING HEARING HELD MAY 4 - 6, 2004

FILED: MAY 17, 2004

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 1

Responding Witness: Victor A. Staffieri

Q-1. Provide the names of the Board members of the E.ON US Investments Corp.

A-1. Dr. Wulf Bernotat
Dr. Manfred Krüper
Dr. Erhard Schipporeit
Victor A. Staffieri

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 2

Responding Witness: S. Bradford Rives

- Q-2. Provide the common equity ratio as of March 31, 2004 assuming that the MPL regulatory asset had not been booked as of that time.
- A-2. See attached worksheets.

Louisville Gas and Electric Company
Capital Ratios
As of March 31, 2004

1	2	3	4	5	6
	Outstanding Balance Total Company	Percent of Total	Minimum Pension Liability Adjustment	Adjusted Outstanding Balance Total Company	Adjusted Percent of Total
1 Long-Term Debt	823,054,000	41.91%		823,054,000	42.52%
2 Short-Term Debt	98,409,715	5.01%		98,409,715	5.08%
3 Preferred Stock	70,424,594	3.58%		70,424,594	3.64%
4 Common Equity	972,180,359	49.50%	(28,385,441) *	943,794,918	48.76%
5 Total	<u>1,964,068,668</u>	<u>100.00%</u>	<u>(28,385,441)</u>	<u>1,935,683,227</u>	<u>100.00%</u>

* Minimum Pension Liability Pre-Tax
Income Taxes @ 40.3625%
Minimum Pension Liability After Tax

47,596,631
<u>(19,211,190)</u>
<u>28,385,441</u>

Kentucky Utilities
Capital Ratios
As of March 31, 2004

1	2	3	4	5	6
	Outstanding Balance Total Company	Percent of Total	Minimum Pension Liability Adjustment	Adjusted Outstanding Balance Total Company	Adjusted Percent of Total
1 Long-Term Debt	736,956,616	41.72%	-	736,956,616	41.87%
2 Short-Term Debt	43,740,139	2.48%	-	43,740,139	2.48%
3 Preferred Stock	39,726,895	2.25%	-	39,726,895	2.26%
4 Common Equity	945,735,094	53.55%	(5,884,520) *	939,850,574	53.39%
5 Total	<u>1,766,158,744</u>	<u>100.00%</u>	<u>(5,884,520)</u>	<u>1,760,274,224</u>	<u>100.00%</u>

*	Minimum Pension Liability Pre-Tax	9,867,147
	Income Taxes @ 40.3625%	<u>(3,982,627)</u>
	Minimum Pension Liability After Tax	<u>5,884,520</u>

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 3

Responding Witness: S. Bradford Rives

- Q-3. State how much of the MPL dollar value was booked as a regulatory asset.
- A-3. The minimum pension liability was reclassified from Other Comprehensive Income to a Regulatory Asset at its pre-tax value in March 2004. \$47,596,631 was booked as a regulatory asset for LG&E and \$9,867,147 was booked as a regulatory asset for KU. See also Post-Hearing Data Response No. 2.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 4

Responding Witness: S. Bradford Rives

- Q-4. Provide the journal entries made in the first quarter of 2004 relating to the retirement of Green River Units 1 and 2, as well as brief narratives explaining those entries.
- A-4. The retirement of Green River Units 1 and 2 was recorded in accordance with FERC Electric Plant instruction 10, paragraph B(2), which states:

“When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.”

FERC Electric Plant instruction 10, paragraph D, referenced in paragraph B(2), states, in part:

“The book cost of electric plant retired shall be the amount at which such property is included in the electric plant accounts, including all components of construction costs. The book cost shall be determined from the utility’s records and if this cannot be done it shall be estimated.”

The retirement units for Green River Units 1 & 2 include all the component parts of those generation units and totaled \$17,235,842.89 at March 31, 2004, when the retirement was booked. The generation units were recorded in Account 101, Electric Plant in Service, accordingly, this account was reduced by the value of the generation units at March 31, 2004. Since the generation units were depreciable assets the charge for the retirement was booked to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant.

The journal entry recorded in March was as follows:

Account No.	Account Description	Debit	Credit
108	Accumulated Provision for Depreciation of Electric Utility Plant	\$17,235,842.89	
101	Electric Plant in Service		\$17,235,842.89

No other journal entries were required to retire these generation units.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
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CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 5

Responding Witness: S. Bradford Rives

Q-5. Provide any available estimates (for LG&E, KU or both) of the minimum pension liability as of September 30, 2003.

A-5. LG&E and KU did not ask their actuaries, Mercer, to recalculate the accumulated benefit obligation or the resulting minimum pension liability (MPL) as of September 30 2003. The actuarially calculated amounts for December 31, 2002 and 2003 are shown in the table below:

	LG&E	
	12/31/02	12/31/03
Accumulated Benefit Obligation	\$ (358,925,315)	\$ (372,252,399)
Fair Value of the Assets	196,314,196	297,778,156
Prepaid (Accrued) Benefit Liability	\$ (162,611,119)	\$ (74,474,243)
 Prepaid (Accrued) Benefit Liability Before MPL Adjustment	 \$ (79,101,460)	 \$ 5,397,770
Intangible Asset	(32,798,440)	(32,275,382)
MPL included in Accumulated Other Comprehensive Income	(50,711,219)	(47,596,631)
Prepaid (Accrued) Benefit Liability	\$ (162,611,119)	\$ (74,474,243)
 MPL included in Accumulated Other Comprehensive Income	 \$ (50,711,219)	 \$ (47,596,631)
Income Taxes on MPL	20,468,316	19,211,190
Net Other Comprehensive Income (12/31/02 amount is pro forma adjustment)	\$ (30,242,903)	\$ (28,385,441)

	KU	
	12/31/02	12/31/03
Accumulated Benefit Obligation	\$ (229,569,314)	\$ (240,053,689)
Fair Value of the Assets	178,534,449	201,093,336
Prepaid (Accrued) Benefit Liability	\$ (51,034,865)	\$ (38,960,353)
Prepaid (Accrued) Benefit Liability Before MPL Adjustment	\$ (23,385,345)	\$ (19,908,923)
Intangible Asset	(10,106,240)	(9,184,283)
MPL included in Accumulated Other Comprehensive Income	(17,543,280)	(9,867,147)
Prepaid (Accrued) Benefit Liability	\$ (51,034,865)	\$ (38,960,353)
MPL included in Accumulated Other Comprehensive Income	\$ (17,543,280)	\$ (9,867,147)
Income Taxes on MPL	7,080,905	3,982,627
Net Other Comprehensive Income (12/31/02 amount is pro forma adjustment)	\$ (10,462,375)	\$ (5,884,520)

As of the test year-end, September 30, 2003, the amount of the minimum pension liability recorded in Other Comprehensive Income (net of tax) was equal to the December 31, 2002 amount (\$30,242,903 for LG&E and \$10,462,375 for KU). The Company's adjustment to capitalization for the test period merely reverses these December 31, 2002 amounts, which were included in the September 30, 2003, balance sheets.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 6

Responding Witness: Valerie L. Scott

- Q-6. Provide the 2003 amount of recognized actuarial gain or loss for KU relating to the projected benefit obligation.
- A-6. KU had an actuarial loss of \$13,914,560 in the calculation of benefit obligation during the year ended December 31, 2003. KU's recognized actuarial loss in calculating 2003's pension expense was \$1,211,041.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 7

Responding Witness: Valerie L. Scott

Q-7. Provide the jurisdictionalized amount of property taxes relating to Pineville Unit 3 which should be excluded from the test year.

A-7. Total test-year property taxes related to Pineville Unit 3 were \$2,793 and the jurisdictional percentage of property taxes for steam units is 87.682%. Jurisdictional property taxes related to Pineville Unit 3 in the test year is \$2,449. A principal factor in determining the Company's property tax assessment is the net book value of assets. Due to the FERC accounting for retirement of units of property as discussed in Post-Hearing Data Response No. 4, the net book asset value related to this generation unit will not be reduced by the unit's retirement; accordingly, the Company's property taxes may not be reduced.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 8

Responding Witness: Valerie L. Scott

- Q-8. Provide the jurisdictionalized amount of property taxes relating to Green River Units 1 and 2 which should be excluded from the test year.
- A-8. Total test-year property taxes related to Green River Units 1 and 2 were \$175 and the jurisdictional percentage of property taxes for steam units is 87.682%. Jurisdictional property taxes related to Green River Units 1 and 2 in the test year is \$153. A principal factor in determining the Company's property tax assessment is the net book value of assets. Due to the FERC accounting for retirement of units of property as discussed in Post-Hearing Data Response No. 4, the net book asset value related to these generation units will not be reduced by the units' retirement; accordingly, the Company's property taxes may not be reduced.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 9

Responding Witness: Valerie L. Scott

- Q-9. Provide (for both KU and LG&E) the most recent available numbers for the amount of underfunding of the pension and post-retirement benefits plans.
- A-9. The most recent available numbers for LG&E and KU are as of December 31, 2003. LG&E and KU had, at December 31, 2003, an unfunded accumulated benefit obligation of \$80.9 million and \$56.6 million, respectively, for pension retirement plans and had an unfunded accumulated postretirement benefit obligation of \$107.4 million and \$100.4 million, respectively, for post retirements benefit plans.

In January 2004, LG&E funded its pension retirement plans in the amount of \$34.5 million. KU funded \$43.4 million. LG&E in the first quarter of 2004 funded its post retirement plan in the amount of \$5.2 million. KU funded \$2.1 million.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 10

Responding Witness: Valerie L. Scott

Q-10. Is pollution control bond debt allocated to gas operations, and are there projects in the gas operations that are actually funded with that debt?

A-10. LG&E has historically allocated its capitalization between electric and gas components based on relative rate base for electric and gas property. This allocation has attributed some of the benefits of tax-exempt pollution control financing to the gas operations even though no gas projects have driven the underlying tax-exempt financing. While electric pollution control expenditures have been the underlying justification and support for the level of tax-exempt financing, financing dollars are fungible and are not necessarily spent on specifically identified projects or items (e.g. we may have funded pollution control facility construction with short term debt prior to the tax-exempt issuance and upon such issuance the funds received from the financing may or may not have been spent immediately on the qualifying project). At all times LG&E would have had sufficient pollution control expenditures to legally justify the tax-exempt debt. If the Commission chose to require all pollution control debt be allocated to electric operations it would serve to slightly lower electric cost of capital and raise gas cost of capital, but it would not change overall capital costs for LG&E.

LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY

CASE NOS. 2003-00433 and 2003-00434

Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004

Question No. 11

Responding Witness: Michael S. Beer

- Q-11. Please review the amounts of EEI and AGA expenses that the Company believes should be considered for ratemaking purposes. Also provide the breakdown, by percentage, of the expense categories covered by AGA dues, similar to that provided in response to AG 1-85.
- A-11. The EEI expenses were discussed in several data requests in this case. For LG&E and KU, the total EEI expenses for the test period were provided in response to Question Nos. AG 1-313 and AG 1-226 respectively. The accounts in which these expenses were recorded are listed in these responses; all of these costs are recorded above the line.

Furthermore, the Companies expressed the view that certain portions of those expenses should be considered for ratemaking treatment. The categories were provided in response to LG&E PSC 3-44 and KU PSC 3-40, and the percentage allocations for each of the categories listed were provided in response to LG&E PSC 1-85.

In sum, the following highlights the treatment that should be afforded the EEI expenses for LG&E and KU in this case, based on the responses listed above.

EEI: LG&E

- Total EEI costs of \$267,426.57 for LG&E in the test period. Of that amount, \$195,401.43 are dues. The rest is for special reports and surveys.
- All of the EEI dues should be included for ratemaking except the portions for Legislative Advocacy (23.57%) and Public Relations (7.98%) or 31.55%; the remaining 68.45% of the dues should be included for ratemaking. See Table below.
- The other non-dues costs (studies etc.) should be included in full.
- Total EEI inclusion should be as requested less 31.55% of the dues, for a total of **\$205,777.42**

EEI: KU

- Total EEI Costs (non-jurisdictionalized) of \$254,962.02 for KU in the test period. Of that amount, \$166,453.07 are dues. The rest is for special reports and surveys. [Jurisdictional factor is 88.816% for KY portion of KU, for a total of \$226,447.56 and a dues total of \$147,836.96]
- All of the EEI dues should be included for ratemaking except the portions for Legislative Advocacy (23.57%) and Public Relations (7.98%) or 31.55%; the remaining 68.45% of the dues should be included for ratemaking. See Table below.
- The other non-dues costs (studies etc.) should be included in full.
- Total EEI inclusion should be as requested less 31.55% of the dues, for a total of **\$179,804.51** (jurisdictionalized).

NARUC Operating Expense Category	% of Dues	% to Include
Legislative Advocacy	23.57 %	0 %
Legislative Policy Research	6.03 %	6.03 %
Regulatory Advocacy	13.80 %	13.80 %
Regulatory Policy Research	12.32 %	12.32 %
Advertising	2.62 %	2.62 %
Marketing	5.84 %	5.84 %
Utility Operations & Engineering	6.59 %	6.59 %
Finance, Legal, Planning & Customer Service	21.25 %	21.25 %
Public Relations	7.98 %	0 %
Total	100.00 %	68.45 %

The AGA expenses were discussed in detail in the response to Question Nos. AG 1-80 and AG 1-314. The accounts in which these expenses were recorded are listed in the response to Question No. PSC 3-48; all of these costs are recorded above the line. The following highlights the treatment that should be afforded the AGA expenses for LG&E in this case, based on the responses listed above.

AGA: LG&E

- Total AGA Costs of \$104,772 in the test period – of which \$103,752 were membership dues and \$1,020 were for conferences.
- Estimated 2.28% of the dues are dedicated to lobbying and legislative activities. See attached calculation from AGA. The specific categorizations are tabulated below. The 2.28% lobbying costs are removed from the “Public Affairs” category; see attached definitions.
- The other non-dues costs (conferences) should be included in full.
- Total AGA inclusion should be as requested less 2.28% of the dues, for a total of **\$102,406.45**

AGA Operating Expense Category	% of Dues	% to Include
Public Affairs	22.59 %	20.31 %
Communications	14.54 %	14.54 %
Corporate Affairs and International	9.87 %	9.87 %
General Counsel and Corp. Secretary	4.87 %	4.87 %
Regulatory Affairs	14.52 %	14.52 %
Marketing Development	2.22 %	2.22 %
Operating & Engineering Services	14.84 %	14.84 %
Policy & Analysis	12.11 %	12.11 %
Industry Finance & Admin Programs	4.45 %	4.45 %
General & Administrative Expense *	0.00 %	0.00 %
TOTAL	100.00 %	97.72 %

* A&G expenses are allocated to all other categories

Calculation of Lobbying Expenses Pursuant to
Internal Revenue Code Section 162(e)

The American Gas Association incurred lobbying expenses, as defined under IRC Section 162, of 2.28% of total member dues during calendar year 2002.

IRC Section 162 Definition of Lobbying

- (e) Denial of deduction for certain lobbying and political expenditures
- (1) In general no deduction shall be allowed under subsection (a) for any amount paid or incurred in connection with -
 - (A) influencing legislation,
 - (B) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office,
 - (C) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums, or
 - (D) any direct communication with a covered executive branch official in an attempt to influence the official actions or positions of such official.
 - (2) Exception for local legislation - In the case of any legislation of any local council or similar governing body -
 - (A) paragraph (1)(A) shall not apply, and
 - (B) the deduction allowed by subsection (a) shall include all ordinary and necessary expenses (including, but not limited to, traveling expenses described in subsection (a)(2) and the cost of preparing testimony) paid or incurred during the taxable year in carrying on any trade or business -
 - (i) in direct connection with appearances before, submission of statements to, or sending communications to the committees, or individual members, of such council or body with respect to legislation or proposed legislation of direct interest to the taxpayer, or
 - (ii) in direct connection with communication of information between the taxpayer and an organization of which the taxpayer is a member with respect to any such legislation or proposed legislation which is of direct interest to the taxpayer and to such organization, and that portion of the dues so paid or incurred with respect to any organization of which the taxpayer is a member which is attributable to the expenses of the activities described in clauses (i) and (ii) carried on by such organization.
 - (3) Application to dues of tax-exempt organizations - No deduction shall be allowed under subsection (a) for the portion of dues or other similar amounts paid by the taxpayer to an organization which is exempt from tax under this subtitle which the organization notifies the taxpayer under section 6033(e)(1)(A)(ii) is allocable to expenditures to which paragraph (1) applies.
 - (4) Influencing legislation - For purposes of this subsection -
 - (A) In general The term "influencing legislation" means any attempt to influence any legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of legislation.
 - (B) Legislation - The term "legislation" has the meaning given such term by section 4911(e)(2).
 - (5) Other special rules
 - (A) Exception for certain taxpayers - In the case of any taxpayer engaged in the trade or business of conducting activities described in paragraph (1), paragraph (1) shall not apply to expenditures of the taxpayer in conducting such activities directly on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).
 - (B) De minimis exception
 - (i) In general Paragraph (1) shall not apply to any in-house expenditures for any taxable year if such expenditures do not exceed \$2,000. In determining whether a taxpayer exceeds the \$2,000 limit under this clause, there shall not be taken into account overhead costs otherwise allocable to activities described in paragraphs (1)(A) and (D).
 - (ii) In-house expenditures for purposes of clause (i), the term "in-house expenditures" means expenditures described in paragraphs (1)(A) and (D) other than
 - (I) payments by the taxpayer to a person engaged in the trade or business of conducting activities described in paragraph (1) for the conduct of such activities on behalf of the taxpayer, or
 - (II) dues or other similar amounts paid or incurred by the taxpayer which are allocable to activities described in paragraph (1).
 - (C) Expenses incurred in connection with lobbying and political activities - Any amount paid or incurred for research for, or preparation, planning, or coordination of, any activity described in paragraph (1) shall be treated as paid or incurred in connection with such activity.
 - (6) Covered executive branch official - For purposes of this subsection, the term "covered executive branch official" means -
 - (A) the President,
 - (B) the Vice President,
 - (C) any officer or employee of the White House Office of the Executive Office of the President, and the 2 most senior level officers of each of the other agencies in such Executive Office, and
 - (D) (i) any individual serving in a position in level 1 of the Executive Schedule under section 5312 of title 5, United States Code, (ii) any other individual designated by the President as having Cabinet level status, and (iii) any immediate deputy of an individual described in clause (i) or (ii).
 - (7) Special rule for Indian tribal governments - For purposes of this subsection, an Indian tribal government shall be treated in the same manner as a local council or similar governing body.
 - (8) Cross reference - For reporting requirements and alternative taxes related to this subsection, see section 6033(e).

Citation: IRC Sec. 6033(e)

American Gas Association
Definitions of Functional Cost Centers
For the Year Ended December 31, 2002

<u>COST CENTER</u>	<u>DESCRIPTION</u>
03	<u>Communications</u> develops informational materials for member companies and consumers and coordinates all media activity.
	<u>Public Affairs</u> provides members with information on legislative developments; prepares testimony, comments, and filings regarding legislative activities; lobbies on behalf of the industry.
12	<u>Finance & Administration</u> develops and implements programs in such areas as accounting, human resources and risk management for member companies.
05	<u>General Counsel & Corporate Secretary</u> provides legal counsel to the Association.
06	<u>Corporate Affairs</u> provides opportunities for interaction between member companies and the financial community. The focus is to promote interest in the investment opportunities in the industry.
09	<u>Regulatory Affairs</u> provides members with information on FERC and state regulatory developments; prepares testimony, comments, and filings regarding regulatory activities.
08	<u>Market Development</u> assists members in their efforts to encourage the most efficient utilization of gas energy by exchanging information about marketing trends, conducting utilization efficiency programs and exploring market opportunities.
14	<u>Operating & Engineering</u> develops and implements programs and practices to meet the operational, safety and engineering needs of the industry.
07	<u>Policy & Analysis</u> identifies the need for and conducts energy analyses and modeling efforts in the areas of gas supply and demand, economics and the environment.
	<u>General & Administrative includes:</u>
01	<u>Office of the President</u> provides senior management guidance for all A.G.A. activities.
10	<u>Human Resources</u> develops and administers employee programs and provides general office and personnel services.
11	<u>Finance and Administration</u> develops and administers financial accounting and treasury services and maintains computers services capability.
*	<u>Reserve:</u> Extraordinary adjustments are recorded as reserve charges. Major adjustments are identified in the audited financial statements.

* Not funded by current year General Fund Dues.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 12

Responding Witness: Michael S. Beer

- Q-12. Provide an estimate of costs associated with the Lock 7 decommissioning.
- A-12. In response to Question No. AG 1-108, KU noted that the final retirement costs for Lock 7 will not be known until negotiations with the U.S. Army Corps of Engineers, the Kentucky River Authority, and other stakeholders in the license surrender process are complete. However, KU estimates that the costs for the decommissioning, including the capital costs associated with any required teardown and/or dam stabilization, will likely be in the range of \$4 million to \$5 million. They could be significantly higher. The costs will not be incurred until 2005 at the earliest, pending FERC approval of the license surrender application which KU expects to file in December 2004.

No expenses associated with decommissioning Lock 7 were included in the test year.

**LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY**

CASE NOS. 2003-00433 and 2003-00434

**Post-Hearing Data Responses to Information Requested by the Commission Staff
and the Attorney General During Hearing Held May 4 - 6, 2004**

Question No. 13

Responding Witness: W. Steven Seelye

- Q-13. Please submit an analysis showing how the approximate \$1.8 million decrease in the CSR credits pursuant to the Settlement Agreement for LG&E and KU were re-allocated to the other rate classes.
- A-13. Pursuant to the Partial Settlement Agreement, Stipulation and Recommendation in Case Nos. 2003-00433 and 2003-00434, the CSR credits were reduced by \$1,106,589 from the level proposed by KU in its base rate increase application, and the CSR credits were reduced by \$769,125 from the level proposed by LG&E in its base rate increase application. The attached analysis shows how the reduction in the CSR credits described in the Partial Settlement Agreement, Stipulation and Recommendation were re-allocated to the other rate classes, resulting in lower revenue increases to these other rate classes had the CSR credits not been reduced.

Louisville Gas and Electric Company
Comparison of Settlement Increase to Increase Had the CSR Credits Not Been Reduced
Based on the 12 months Ended September 30, 2002

	Revenue Increase at Settlement Rates				Revenue Increase had CSR Credits Not Been Reduced per Settlement				
	Adjusted Billings at Current Rates	Billings at Settlement Rates Without CSR Credits	CSR Credits per Settlement	Net Billings Settlement Rates	Revenue Increase	Billings Without CSR Credits	CSR Credits Had They Not Been Reduced per Settlement	Net Billings	Revenue Increase
Residential	\$ 220,310,529	\$ 239,018,924	\$	\$ 239,018,924	\$ 18,708,395	\$ 239,314,153	\$	\$ 239,314,153	\$ 19,003,624
General Service	83,504,883	89,988,092		89,988,092	6,483,208	90,099,242		90,099,242	6,594,359
Large Commercial Rate LC	132,177,625	142,420,011		142,420,011	10,242,386	142,595,924		142,595,924	10,418,298
Industrial Power Rate LP	100,837,138	108,840,989	(2,378,769)	106,462,230	5,625,092	108,975,438	(3,033,894)	105,941,541	5,104,403
Special Contracts	28,070,944	29,864,959	(372,000)	29,492,959	1,422,016	29,901,848	(486,000)	29,415,848	1,344,904
Street Lighting	11,678,144	12,555,931		12,555,931	877,787	12,571,440		12,571,440	893,295
TOTAL ULTIMATE CONSUMERS	\$ 576,579,264	\$ 622,688,916	(2,750,769)	\$ 619,938,147	\$ 43,358,883	\$ 623,456,042	(3,519,894)	\$ 619,938,147	\$ 43,358,883
Increase in Miscellaneous Charges	848,569	893,871		893,871	45,302	893,871		893,871	45,302
TOTAL INCREASE IN REVENUE	\$ 577,427,833	\$ 623,582,787	(2,750,769)	\$ 620,832,018	\$ 43,404,185	\$ 624,351,912	(3,519,894)	\$ 620,832,018	\$ 43,404,185

Kentucky Utilities Company
 Comparison of Settlement Increase to Increase Had the CSR Credits Not Been Reduced
 Based on the 12 months Ended September 30, 2002

	Revenue Increase at Settlement Rates				Revenue Increase had CSR Credits Not Been Reduced per Settlement				
	Adjusted Billings at Current Rates	Billings at Settlement Rates Without CSR Credits	CSR Credits per Settlement	Net Billings Settlement Rates	Revenue Increase	Billings Without CSR Credits	CSR Credits Had They Not Been Reduced per Settlement	Net Billings	Revenue Increase
Residential	\$ 252,910,745	\$ 273,104,721	\$ 20,193,976	\$ 273,104,721	\$ 20,193,976	\$ 273,520,775	\$ 273,520,775	\$ 273,520,775	\$ 20,610,031
General Service	66,269,093	71,202,265	4,933,172	71,202,265	4,933,172	71,310,737	71,310,737	71,310,737	5,041,643
All Electric School Service Rate AES	3,955,546	4,250,133	294,587	4,250,133	294,587	4,256,608	4,256,608	4,256,608	301,062
Combined Lighting & Power Service	226,957,349	244,003,937	(136,526)	243,865,412	16,908,082	244,375,659	(181,382)	244,194,277	17,236,928
Comm./Industrial Time-of-Day	84,135,770	86,770,417	(585,712)	86,184,705	2,048,936	86,902,606	(770,692)	86,131,914	1,996,144
Coal Mining Power Service	8,542,207	9,180,396	638,188	9,180,396	638,188	9,194,382	9,194,382	9,194,382	652,174
Large Mine Power Time-of-Day	6,043,407	6,496,869	453,462	6,496,869	453,462	6,506,767	6,506,767	6,506,767	463,359
Special Contract	14,551,478	17,042,075	(2,751,649)	14,290,426	(261,052)	17,068,037	(3,630,401)	13,437,636	(1,113,842)
Private Outdoor Lighting	13,396,416	14,330,879	934,463	14,330,879	934,463	14,352,711	14,352,711	14,352,711	956,295
TOTAL ULTIMATE CONSUMERS	\$ 676,762,012	\$ 726,381,693	\$ (3,475,886)	\$ 722,905,806	\$ 46,143,794	\$ 727,488,281	\$ (4,582,475)	\$ 722,905,806	\$ 46,143,794
Miscellaneous Service Revenue	999,716	1,408,158	408,443	1,408,158	408,443	1,408,158	-	1,408,158	408,443
Rent from Electric Property	1,957,235	1,400,862	(556,373)	1,400,862	(556,373)	1,400,862	-	1,400,862	(556,373)
TOTAL JURISDICTIONAL	\$ 679,718,963	\$ 729,190,713	\$ (3,475,886)	\$ 725,714,826	\$ 45,995,864	\$ 730,297,301	\$ (4,582,475)	\$ 725,714,826	\$ 45,995,864